

MUTCHLER COMMUNITY CENTER
BLOOMFIELD, IOWA

INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2006

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MUTCHLER COMMUNITY CENTER

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representation</u>
Max Proctor	Commissioner Chairperson	Davis County
Ted Henderson	Commissioner Vice - Chairperson	City of Bloomfield
Cliff Martin	Commissioner Secretary-Treasurer	Public

DAVIS AND LEWIS PLC
CERTIFIED PUBLIC ACCOUNTANTS
635 PENNSYLVANIA AVE
OTTUMWA, IOWA 52501

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mutchler Community Center
Bloomfield, Iowa 52537

We have audited the accompanying financial statements as listed in the table of contents of this report of the Mutchler Community Center as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Mutchler Community Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Mutchler Community Center as of December 31, 2006, and the changes in its net assets and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 13, 2007 on our consideration of the Mutchler Community Center's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2006 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Davis and Lewis PLC

Certified Public Accountants

August 13, 2007

MUTCHLER COMMUNITY CENTER
STATEMENT OF FINANCIAL POSITION
December 31, 2006

ASSETS

CURRENT ASSETS

Cash in Bank	\$ 208,474
Interest receivable	688
Prepaid insurance	<u>1,124</u>

TOTAL CURRENT ASSETS	<u>210,286</u>
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PROPERTY AND EQUIPMENT

Land	10,000
Buildings and improvements	1,366,800
Furniture, fixtures and equipment	<u>90,194</u>
	1,466,994
Less accumulated depreciation	<u>(344,919)</u>

NET PROPERTY AND EQUIPMENT	<u>1,122,075</u>
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TOTAL ASSETS	<u>\$1,332,361</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 4,485
Accrued Payroll	919
IPERS Payable	300
Payroll Tax Payable	<u>888</u>

TOTAL LIABILITIES	6,592
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NET ASSETS

Unrestricted net assets	<u>1,325,769</u>
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TOTAL LIABILITIES & NET ASSETS	<u>\$1,332,361</u>
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See notes to financial statements

MUTCHLER COMMUNITY CENTER
STATEMENT OF ACTIVITIES
Year Ended December 31, 2006

UNRESTRICTED NET ASSETS

Contributions	\$ 10,025
Rental income	12,684
Membership dues	44,002
Other revenues	26,842
Interest income	<u>6,519</u>

TOTAL UNRESTRICTED SUPPORT	<u>100,072</u>
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EXPENSES

Payroll	42,249
Utilities and telephone	13,807
Concessions and T-shirts	5,104
Insurance	5,286
Supplies	2,889
Professional fees	2,995
Miscellaneous	1,027
Advertising	402
Payroll taxes	3,300
Sales tax paid	4,643
Repairs and maintenance	3,525
Referees, classes and camps	2,404
Pension expense	2,145
Depreciation	<u>47,878</u>

TOTAL UNRESTRICTED EXPENSES	<u>137,654</u>
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DECREASE IN UNRESTRICTED NET ASSETS	(37,582)
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NET UNRESTRICTED ASSETS AT BEGINNING OF YEAR	<u>1,363,351</u>
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NET UNRESTRICTED ASSETS AT END OF YEAR	<u>\$1,325,769</u> =====
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See notes to financial statements.

MUTCHLER COMMUNITY CENTER
STATEMENT OF CASH FLOWS
Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (37,582)
Adjustments to reconcile decrease in net assets to net	
Cash provided by operating activities	
Depreciation	47,878
(Increase) decrease in:	
Prepaid insurance	235
Interest receivable	(643)
Increase (decrease) in:	
Accounts payable	(1,658)
Accrued expenses	<u>222</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 8,452

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment (20,170)

NET CASH USED IN INVESTING ACTIVITIES (20,170)

CASH FLOWS FROM FINANCING ACTIVITIES

NET CASH USED IN FINANCING ACTIVITIES - 0 -

NET DECREASE IN CASH (11,718)

CASH AT BEGINNING OF YEAR 220,192

CASH AT END OF YEAR \$ 208,474
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SUPPLEMENTARY DISCLOSURES

Interest paid \$ - 0 -
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See notes to financial statements.

MUTCHLER COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Mutchler Community Center, a non-profit organization, built and operates a community recreation center providing recreation facilities to the community including reduced memberships for financially qualifying individuals. The Mutchler Community Center is a joint project following a 28E agreement with the City of Bloomfield, Iowa and the County of Davis County, Iowa.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. At December 31, 2006, the Organization's net assets were classified as unrestricted.

Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment is computed principally by the straight-line method at rates based on the following estimated useful lives:

Building and improvements	39 years
Improvements	20 years
Furniture, fixtures & equipment	7 years

The cost of assets sold, retired, or otherwise disposed of and the related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is included in operations.

Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

Income Taxes

The Company is an Iowa non-profit corporation and is exempt from Federal and State income taxes under section 501c(3) of the Internal Revenue Code, and is not considered a private foundation. Contributions to the organization qualify for the charitable contribution deduction under the Internal Revenue code.

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, cash and cash equivalents includes checking, savings and certificates of deposit.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MUTCHLER COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE B - PENSION BENEFITS

The Mutchler Community Center contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O.Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Mutchler Community Center is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Mutchler Community Center contribution to IPERS for the years ended December 31, 2006, 2005 and 2004 was \$2,145, \$2,109 and \$2,282 respectfully, equal to the required contribution for each year.

MUTCHLER COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT

	<u>Cost</u>			
	<u>Balance</u> <u>January 1, 2006</u>	<u>Additions</u>	<u>Reduct.</u>	<u>Balance</u> <u>Dec. 31, 2006</u>
Land	\$ 10,000	\$ - 0 -	- 0 -	\$ 10,000
Buildings and improvements	1,364,060	2,740	- 0 -	1,366,800
Furniture, fixtures & equipment	<u>72,764</u>	<u>17,430</u>	<u>- 0 -</u>	<u>90,194</u>
Totals	<u>\$1,446,824</u>	<u>\$ 20,170</u>	<u>\$ - 0 -</u>	<u>\$1,466,994</u>

<u>Accumulated Depreciation</u>				
<u>Balance</u> <u>January 1,</u> <u>2006</u>	<u>Current</u> <u>Expense</u>	<u>Reduction</u>	<u>Balance</u> <u>December</u> <u>31, 2006</u>	Net Book Value <u>December</u> <u>31, 2006</u>
\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 10,000
243,265	38,626	- 0 -	281,891	1,084,909
<u>53,776</u>	9,252	<u>- 0 -</u>	<u>63,028</u>	<u>27,166</u>
<u>\$297,041</u>	<u>\$47,878</u>	<u>\$ - 0 -</u>	<u>\$344,919</u>	<u>\$1,122,075</u>

DAVIS AND LEWIS PLC
CERTIFIED PUBLIC ACCOUNTANTS
FIFTH FLOOR HARVESTER BUILDING
OTTUMWA, IOWA 52501

INDEPENDENT AUDITORS REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors
Mutchler Community Center
Bloomfield, Iowa

We have audited the financial statements of Mutchler Community Center, as of and for the year ended December 31, 2006 and have issued our report thereon dated August 13, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Mutchler Community Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions, was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Mutchler Community Center's operations for the year ended December 31, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Mutchler Community Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Mutchler Community Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Mutchler Community Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in part II of the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described at Part II on the schedule of findings and questioned costs are not a material weakness. Prior year reportable conditions have been resolved except for item #1 in Part II.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Mutchler Community Center and other parties to whom the Mutchler Community Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the courtesies and assistance extended to us by personnel of the Mutchler Community Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Certified Public Accountants

August 13, 2007

MUTCHLER COMMUNITY CENTER
SCHEDULE OF FINDINGS
Year Ended December 31, 2006

Part II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

1. Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. The Mutchler Community Center is not large enough to permit an adequate segregation of duties.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Plan - We will continue to review the segregation of duties and make changes where possible and cost effective.

Conclusion - Response Accepted

Part III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

Not Applicable – No Federal Funding

Part IV: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

1. Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in the Attorney General's opinions dated April 25, 1979 and July 3, 1990. However, continued review of all disbursements to determine and document the public purpose serviced should be performed by the Commission.
2. Business Transactions - Our examination disclosed no business transactions between the Mutchler Community Center and the Center's commissioners or employees.
3. Open Meetings - Our examination disclosed no instances of noncompliance with the Code of Iowa Chapter 21.4 requirements concerning public notice of open meetings. No transactions were found that we believe should have been approved in the minutes but were not.
4. Construction Bidding Contracts - Our examination showed no instances of noncompliance with the Code of Iowa Chapter 384.96 and 384.102 where the total cost of the project was \$25,000 and bidding requirements were not followed as required for projects of \$25,000 or more.

5. Deposits and Investments – All certificates of deposit were held in depositories within the county in compliance with Chapter 12C of the Code of Iowa which requires deposits be held in depositories located in the county in which the facility is located or in an adjoining county.
6. Travel Expense – No disbursements of Mutchler Community Center money for travel expenses of spouses of Mutchler Community Center trustees, directors or employees were noted.